

Message Text

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ACTION EUR-25

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PART 2 OF 3

E.O. 11652: N/A

TAGS: PFOR, CA

SUBJECT: FOREIGN MINISTER SHARP IS LEAD-OFF WITNESS AS SENATE
BEGINS MAJOR STUDY OF CANADA-US RELATIONS

REF:OTTAWA 0945

DURING THE TWO-HOUR QUESTION PERIOD, FOLLOWING THE DELIVERY
OF A PREPARED TEXT BY THE SECRETARY OF STATE FOR EXTERNAL
AFFAIRS, MITCHELL SHARP, MARCH 28, DISCUSSION CENTERED ON
THE "THIRD OPTION" OF CANADA'S FOREIGN POLICY; STATE OF
CANADA-US RELATIONS; CONSULTATIONS WITH THE US; ENERGY;
GREAT LAKES POLLUTION; THE AUTO PACT; THE SENATE COMMITTEE'S
STUDY; AND LAW OF THE SEA (LATTER ITEM IS BEING REPORTED
SEPARATELY AS PART 3 OF 3). HIGHLIGHTS OF THE FOREIGN
MINISTER'S COMMENTS AND OF THE SENATORS' VIEWS ARE AS FOLLOWS:

1. "THIRD OPTION." SENATOR CLIFFORD VAN ROGGEN
(LIBERAL, VANCOUVER) ASKED IF MR. SHARP HAD ANY REASON
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TO REASSESS THE VALIDITY OF THE "THIRD OPTION" (BY WHICH

THE TRUDEAU GOVERNMENT IN 1972 OPTED FOR ALONG TERM STRATEGY TO DEVELOP AND STRENGTHEN THE CANADIAN ECONOMY AND OTHER ASPECTS OF NATIONAL LIFE--TO DIVERSIFY ITS FOREIGN RELATIONS -- AND IN THE PROCESS TO REDUCE THE PRESENT CANADIAN VULNERABILITY TO THE UNITED STATES). VAN ROGGEN SAID THAT PRIMARILY AS A RESULT OF THE ENERGY CRISIS, THE ECONOMIC POWER OF WESTERN EUROPE AND JAPAN HAS BEEN JEOPARDIZED, LEAVING NORTH AMERICA, IN HIS JUDGMENT, THE MOST FAVORED PART OF THE GLOBE. HE SAID MAYBE THE US IS NOT ONLY CANADA'S GREATEST PROBLEM BUT ALSO CANADA'S GREATEST AREA OF OPPORTUNITY. HE WOULD NOT LIKE TO SEE CANADA JEOPARDIZE THIS OPPORTUNITY AND PERHAPS CANADA SHOULD BE SEEKING GREATER ACCESS TO THE US MARKET, RATHER THAN LESS.

OPPORTUNITIES ARE NOT AS GREAT

SHARP CONCEDED THAT LARGELY DUE TO THE ENERGY CRISIS, THE OPPORTUNITIES FOR DIVERSIFICATION ARE NOT AS GREAT. BUT THE GOVERNMENT IS STILL SATISFIED THAT DIRECTION OF CANADIAN POLICY SHOULD BE ONE OF DIVERSIFICATION IN ORDER TO REDUCE VULNERABILITY TO THE US. HE SAID THIS COURSE IS BEING FOLLOWED, NOT SO MUCH FOR ECONOMIC REASONS AS FOR POLITICAL CONSIDERATIONS. IF CANADA DOES NOT RESIST STRONG URGE TO "CONTINENTALISM", CANADA WOULD BE ABSORBED BY THE US. IN NOTING THAT HE AND SEANTOR VAN ROGGEN WERE IN AGREEMENT IN RESISTING THE "STRONG NATIONALISTS", SHARP SAID HIS POLICY WAS ONE OF LIVING IN HARMONY WITH BUT DISTINCT FROM THE UNITED STATES.

LITTLE CHANGE IN TRADE PROPORTION

PRESSED ON THE "REALISTIC" CHANCES TO DIVERSIFY ITS TRADE WITH THE US, SHARP CONCEDED THAT THERE PROBABLY WOULD BE VERY LITTLE CHANGE IN THE PROPORTION OF TRADE WITH THE US (ABOUT 70 PERCENT) BUT THAT CANADA NOW HAS MORE OUTLETS. THE OBJECT, SHARP SAID, WAS TO TRY TO BE SURE THAT CANADA IS EXPLOITING ALL TRADE OPPORTUNITIES WITH ALL PARTS OF THE WORLD. IN THE PAST, HE SAID, CANADA WAS NOT TAKING ADVANTAGE OF ITS LOCATION AND THEREFORE NOT LIMITED OFFICIAL USE

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REDUCING ITS VULNERABILITY. HE SAID, CANADA'S EFFORTS TO DIVERSIFY SHOULD NOT CAUSE ANY CONCERN IN THE UNITED STATES.

2. STATE OF CANADA-US RELATIONS. TO QUESTIONS THAT RECENT MISUNDERSTANDINGS OVER TRADE, OIL AND THE AUTO PACT COULD HAVE BEEN AVOIDED, SHARP SAID THAT THE GOVERNMENT IS TRYING "VALIANTLY TO EXPLAIN ITS POLICIES" TO THE US. CONSIDERING THE NUMBER OF CONTACTS THAT TAKE PLACE,

SHARP'S OWN IMPRESSION WAS THAT THE NUMBER OF PROBLEMS WAS REMARKABLY FEW. PART OF THE CAUSE OF MISUNDERSTANDING WAS THE NATURE OF THE PROBLEM. HE CITED THE AUTO PACT WHERE POLITICIANS ON BOTH SIDES OF THE BORDER -- WHOSE INTEREST IN GETTING RE-ELECTED -- DO NOT ALWAYS CONTRIBUTE TO AN EXPRESSION OF BALANCED VIEWS. SHARP SAID THERE ARE ALSO PROBLEMS CAUSED BY CANADIAN IGNORANCE OF THE UNITED STATES.

RELATIONSHIP NOT SMOOTH

TO OBSERVATION THAT RECENTLY, WHEN ISSUES ARISE BETWEEN THE US AND CANADA, THERE SEEMS TO BE A "CRISIS ATMOSPHERE", SHARP SAID THAT HE DID NOT EXPECT THAT CANADA'S RELATIONSHIP WITH THE US WILL BE SMOOTH. MOREOVER, HE SAID THIS PHENOMENON WAS NOT PECULAIR TO THE CANADA-US RELATIONSHIP. HE RECALLED THAT THE LATE LESTER PEARSON HAD SOMETIME AGO SAID THAT THE ERA OF EASY RELATIONSHIPS WITH THE US IS A THING OF THE PAST.

NOTING THAT SHARP HAS SAID CANADA IS OPPOSED TO A "CONTINENTAL" POLICY, SENATOR GROSSARD ASKED IF THE US ADVOCATES A "CONTINENALIST" POLICY. SHARP SAID THE US DOES NOT WANT TO INTEGRAT
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